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C O N F I D E N T I A L SECTION 01 OF 02 ATHENS 000394

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TAGS: [ECON](#) [EFIN](#) [ELAB](#) [GR](#) [PGOV](#)
SUBJECT: DEPUTY GOVERNOR OF CENTRAL BANK: BANK FUNCTIONING
DESPITE ONGOING STRIKE

Classified By: Economic Counselor Clark Price for reasons 1.4(b) and (d)
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Summary

¶1. (C) In a meeting on March 13, Deputy Governor of the Bank of Greece Panayotis-Aristidis Thomopoulos told the Economic Counselor and the Economic Deputy that, despite the ongoing bank strike, the Bank of Greece was functioning adequately, albeit at a reduced level. Thomopoulos also discussed his views on the draft pension law sent to parliament on March 11, expressing his belief that it conflicts with the independence of the central bank. Finally, Thomopoulos shared his candid thoughts on the head of the Greek Financial Intelligence Unit, Georgios Zorbas, who Thomopoulos believes is not well suited for the role.

Stock Exchange Operational;
Bank of Greece Staff Still on Strike

¶2. (C) Thomopoulos said that following last week's four-day disruption of the payment settlement system, which forced the closure of the Athens Stock Exchange (ASE) for most of the week, things were back to normal at the ASE. (Note: As Greece's central bank, the Bank of Greece (BG) controls the ASE payments transaction process, which enables real-time electronic settlement of stocks as they are bought and sold. The BG strike, which started on March 3 and is likely to continue through next week, initially left no staff available to operate the payments system. According to press reports, this forced the closure of the ASE, which historically has only been forced to close during national emergencies such as the 1999 earthquake.) Thomopoulos indicated that one of the problems that contributed to the payments system disruption was the lack of a back-up system at a separate site. According to Thomopoulos, AlphaBank, which used to run the payment system, has agreed to operate a back-up system in the event the BG-run payment system is disrupted again in the future.

¶3. (C) Thomopoulos dismissed press reports claiming that the cost to the Greek economy of the four-day closure of the ASE could be 140 million euros or more. (Note: Market analysts speculate that the costs could be higher if Greece's credit rating is downgraded to emerging market status. Such a downgrade would increase transaction costs.) He nevertheless asserted that the BG could not be held liable for any potential costs because the closure was the result of something akin to a national emergency.⁸

¶4. (C) According to Thomopoulos, the strike, which has

almost 100 percent employee participation, caught BG management by surprise because the BG,s union did not give the requisite four-day notification as required under Greek law. Ordinarily, this lead time would have allowed BG management to put in place skeleton staff to operate essential bank services, including the payments system. Thomopoulos said that the BG immediately sought a legal injunction to get 100 skeleton staff back to work last week; however, it took one and a half days to get a court order to allow staff to go back to work. For various legal reasons, including a law passed last year that declares the Bank a private institution, and thereby not eligible to declare a certain number of staff &essential8 and force them back to work, BG would have to go back to court every day of the strike to continue to keep staff at work. Instead, BG management opted to negotiate with union leadership to allow 63 employees to remain at work during the remainder of the strike. Thomopoulos claimed that a staff of 63 is enough to ensure essential BG operations are kept going. Thomopoulos dismissed claims by private banks and the press that there is a shortage of euros available at ATMs. He indicated that BG management has worked to ensure all banks have adequate euros on hand to meet demand, even if it requires bringing in euro notes from other euro-zone countries.

The Draft Pension Law: Impact on Bank Employees
and Conflict with Central Bank Independence

15. (C) Thomopoulos told us that BG employees have responded vehemently against the draft pension law because it would have some very direct ramifications on their pension benefits. Bank employees historically have accepted 20-30 percent lower salaries than Ministry of Finance employees in

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exchange for higher pension benefits, he said. The draft pension law, according to Thomopoulos, will lower these pension benefits by half.

16. (C) Thomopoulos indicated that certain aspects of the draft pension law are in direct conflict with Maastricht Treaty requirements mandating the independence of central banks. For example, Thomopoulos told us that the draft pension law will require the BG to pay 23 million euros annually to a new central pension fund of the GoG, which he believes to be a violation of central bank independence. He told us that because the draft law includes this and other provisions affecting the central bank, the GoG should have sent it to the European Central Bank (ECB) for their review and approval prior to submitting it to parliament. According to Thomopoulos, the ECB has overridden laws in Italy and Germany that were deemed to be in conflict with central bank independence. BG management has sent the draft law to the ECB and expects a ruling sometime in April. The ruling may very well open the door for the BG to sue to overrule certain aspects of the pension law, which is expected to be passed by parliament sometime next week.

Thomopoulos on Zorbas:
He is Secretive and a Bad Manager

17. (C) Becoming quite animated, Thomopoulos expressed his extreme displeasure with Georgios Zorbas,s performance as the head of the Greek Financial Intelligence Unit (FIU). According to Thomopoulos, Zorbas is a poor manager, preferring to operate under a cloak of secrecy by excluding his staff from investigations and conducting them on his own rather than delegating to a staff of specialized financial investigators. In one anecdote, Thomopoulos told us that he had seconded a seasoned central bank staff person to the FIU for help on investigations. Rather than leveraging this person,s expertise, Zorbas handicapped the person by

refusing to share information and excluding the person from investigations. In another disturbing anecdote, Thomopoulos told us of an investigation file relating to BNP Paribas that was faxed to the FIU while Zorbas was on vacation in August 2007. Zorbas has so marginalized and disempowered his staff that instead of logging in and commencing the investigation on August 2, FIU staff left the file for Zorbas, who finally logged it in when he returned from vacation on August 28.

Comment

18. (C) While it is clear the government has not provided the FIU with adequate resources to properly fulfill its important role in conducting financial investigations, it is becoming clearer that Zorbas himself and his management style are part of the organization's problem. Furthermore, Zorbas's poor relationship with the Finance Minister seems to ensure that, at least in the short-term, the FIU will not be provided with further resources.

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